

House File 478 - Introduced

HOUSE FILE 478

BY KELLEY

A BILL FOR

1 An Act relating to rural microbusinesses by establishing a
2 rural microbusiness investment loan program and fund.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15E.152 Rural microbusiness
2 investment loan program.

3 1. The authority shall establish and administer a rural
4 microbusiness investment loan program. The rural microbusiness
5 investment loan program is established to provide financial
6 assistance for a qualified investment in an eligible rural
7 microbusiness meeting the criteria in subsection 3. Financial
8 assistance provided under this section shall be in the form of
9 a loan provided from the rural microbusiness investment fund
10 created in section 15E.153.

11 2. For purposes of this section, unless the context
12 otherwise requires:

13 a. "*Distressed rural area*" means an area that has lost
14 at least five percent of its population over the last ten
15 years, an area that has lost ten percent of its population
16 over the last twenty years, an area that has a median family
17 income below eighty-five percent of the national median family
18 income, an area that has a poverty rate that exceeds twelve and
19 one-half percent of the area's total population, or an area
20 that has an average unemployment rate in the preceding year
21 that exceeds one hundred twenty-five percent of the national
22 average. A distressed rural area does not include a city
23 with a population above fifty thousand or an urbanized area
24 contiguous and adjacent to a city with a population above fifty
25 thousand.

26 b. "*Qualified expenditure*" means an amount paid to a rural
27 microbusiness and includes but is not limited to costs for
28 capital plant and equipment, inventory expenses, and wages, but
29 does not include interest or the cost of any vehicle or costs
30 associated with purchasing a vehicle.

31 c. "*Qualified investment*" means the excess of the qualified
32 expenditures paid for the taxable year less the qualified
33 expenditures paid for the preceding taxable year or the average
34 annual qualified expenditures paid over the preceding three
35 taxable years, whichever is greater.

1 3. To be eligible for the program, a rural microbusiness
2 must meet all of the following criteria:

3 a. The trade or business is carried on as a proprietorship,
4 partnership, trust if the trust is an entity in which the
5 distributions flow through to the beneficiaries in accordance
6 with their pro rata share of the principal or income of the
7 trust, S corporation, or any other entity in which the income
8 flows through to the partners, shareholders, or members in
9 accordance with their pro rata share of the income of the
10 entity.

11 b. The trade or business is carried on in a distressed rural
12 area.

13 c. The trade or business has a three-year average annual
14 gross revenue that does not exceed one million dollars for the
15 period ending with the taxable year in which the application
16 for the loan is received.

17 d. The trade or business employs not more than five
18 full-time equivalent employees.

19 e. If the majority of the activity of the trade or business
20 is agricultural production, each individual who is an owner,
21 shareholder, or holds a capital interest, profits interests, or
22 beneficial interests in such trade or business is a first-time
23 farmer.

24 4. The authority may accept, evaluate, and approve
25 applications for financial assistance from rural
26 microbusinesses pursuant to the requirements of this section
27 and may monitor the compliance of the qualifying businesses
28 with the terms of an agreement entered into with the authority.

29 5. Upon approval of the application for financial
30 assistance by the authority, the eligible rural microbusiness
31 shall enter into an agreement with the authority specifying the
32 terms of the loan.

33 6. a. The amount of a loan awarded to an eligible rural
34 microbusiness shall not exceed an amount equal to thirty-five
35 percent of the qualified investments in the eligible rural

1 microbusiness in the previous fiscal year or seven thousand
2 five hundred dollars, whichever is less.

3 *b.* Interest on a loan, for purposes of this program, shall
4 not exceed three and nine-tenths percent per annum.

5 7. *a.* An eligible rural microbusiness shall not receive
6 more than one award of financial assistance under this section.

7 *b.* An eligible rural microbusiness that receives financial
8 assistance under this section may subsequently apply for
9 financial assistance under other programs administered by the
10 authority.

11 8. The maximum amount of the total loans awarded by the
12 authority through the rural microbusiness investment loan
13 program shall not exceed one hundred thousand dollars in
14 a fiscal year. The authority shall award the loans on a
15 first-come, first-served basis.

16 9. The authority shall adopt rules pursuant to chapter 17A
17 as necessary to administer the program.

18 Sec. 2. NEW SECTION. 15E.153 Rural microbusiness investment
19 fund.

20 1. A rural microbusiness investment fund is created in
21 the state treasury under the control of the authority and
22 consisting of any moneys appropriated by the general assembly
23 and any other moneys available to and obtained or accepted by
24 the authority for placement in the fund.

25 2. Payments of interest, repayments of moneys loaned, and
26 recaptures of loans shall be deposited in the fund.

27 3. The fund shall be used to provide financial assistance in
28 the form of low-interest loans under the rural microbusiness
29 investment loan program established in section 15E.152.

30 4. Moneys in the fund are not subject to section 8.33.
31 Notwithstanding section 12C.7, subsection 2, interest or
32 earnings on moneys in the fund shall be credited to the fund.

33

EXPLANATION

34 The inclusion of this explanation does not constitute agreement with
35 the explanation's substance by the members of the general assembly.

1 This bill relates to rural microbusinesses by establishing
2 a rural microbusiness investment loan program and fund. The
3 bill provides that the economic development authority shall
4 establish and administer a rural microbusiness investment loan
5 program to provide low-interest loans for qualified investments
6 in an eligible rural microbusiness.

7 The bill defines a "qualified investment" as the excess of
8 the qualified expenditures paid for the taxable year minus the
9 qualified expenditures paid for the preceding taxable year or
10 the average annual qualified expenditures paid in the previous
11 three taxable years, whichever is greater. A "qualified
12 expenditure" is an amount paid to a rural microbusiness and
13 does not include interest or the cost of any vehicle or the
14 cost of purchasing a vehicle.

15 The bill defines a "distressed rural area" as an area that
16 has lost at least 5 percent of its population in the last 10
17 years, an area that has lost 10 percent of its population in
18 the last 20 years, an area that has a median family income
19 below 85 percent of the national median family income, an area
20 that has a poverty rate that exceeds 12.5 percent of the area's
21 population, or an area that has an average unemployment rate
22 in the preceding year that exceeds 125 percent of the national
23 average. A "distressed rural area" does not include a city
24 or urbanized area contiguous and adjacent to a city with a
25 population over 50,000.

26 The bill provides that to qualify for a loan under the rural
27 microbusiness investment loan program, a rural microbusiness
28 must be: a trade or business carried on as a proprietorship,
29 partnership, trust if the trust is an entity in which
30 distributions flow through to beneficiaries based on the
31 beneficiaries' pro rata share of the principal or income of the
32 trust, S corporation, or any other entity in which the income
33 flows through to partners, shareholders, or members based on
34 their pro rata share of the income in the entity; a trade or
35 business carried on in a distressed rural area; a trade or

1 business with a three-year average annual gross revenue that
2 does not exceed \$1 million for the period ending with the
3 taxable year in which the business applied for the loan; a
4 trade or business which employs not more than five full-time
5 equivalent employees; and if the majority of the activity
6 of the trade or business is agricultural production, each
7 individual who is an owner, shareholder, or holds a capital
8 interest, profits interests, or beneficial interests in the
9 trade or business is a first-time farmer.

10 The bill provides that the economic development authority
11 may accept, evaluate, and approve applications for financial
12 assistance from rural microbusinesses. Upon approval of an
13 application for financial assistance, the eligible rural
14 microbusiness and the authority shall enter into an agreement
15 discussing the terms of the loan.

16 The bill requires that the amount of a loan awarded pursuant
17 to the rural microbusiness investment loan program shall not
18 exceed 35 percent of the funds invested in the eligible rural
19 microbusiness in the previous fiscal year or \$7,500, whichever
20 is less. The interest on a loan under the rural microbusiness
21 investment loan program shall not exceed 3.9 percent per annum.

22 The bill provides that an eligible rural microbusiness
23 shall not receive more than one award of financial assistance
24 under the program; however, an eligible rural microbusiness
25 may subsequently apply for financial assistance under other
26 programs after receiving financial assistance pursuant to the
27 rural microbusiness investment loan program.

28 The bill states that the maximum amount of loans awarded by
29 the economic development authority for the rural microbusiness
30 investment loan program shall not exceed \$100,000 in a
31 fiscal year, and the loans shall be awarded on a first-come,
32 first-served basis.

33 The bill requires the authority to adopt rules to administer
34 the program.

35 The bill establishes a rural microbusiness investment fund

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1 to provide low-interest loans for the rural microbusiness
2 investment loan program.